

Corporate Governance Proxy Voting Activity
September – November 2005

During the period the Fund voted at a total of 152 company meetings - 3 European, 37 US and 112 UK. In respect of these meetings (a mixture of EGMs and AGMs) the Fund abstained or opposed 280 resolutions out of a total of 1,259, representing approximately 22% of all resolutions. During this period there were only 28 meetings where the Fund supported all the resolutions put forward by companies.

The Fund has a bespoke template for voting at UK meetings, however, the Fund currently follows Pirc's voting advice for European and US company meetings.

PIRC has recently made recommendations for changes to the Combined Code in response to the Financial Reporting Council 's (FRC) request for views on the impact of the Code. PIRC have acknowledged that the Code has had a positive impact on governance in the UK in seeking to achieve change in UK boardrooms that should improve accountability, professionalism and effectiveness. In attempting to make the Code work more effectively PIRC has made suggestions for clarification rather than wholesale reform. These include ensuring clear disclosure of areas of non-compliance as well as providing shareowners with easy access to key documents including directors' service contracts. PIRC point out that while the new Code has significantly improved governance there are still UK companies who cannot yet claim compliance to acceptable standards and believe that their recommendations will build on the foundations of the Code in tackling this issue.

MEETING	RESOLUTIONS CAUSING SHAREHOLDER CONCERN	SHAREHOLDERS OPPOSING %
Wyevale Garden Centres Plc EGM	Resolutions to remove Diane Thompson, Andrew Lewis-Pratt, David Williams	51+
Wyevale Garden Centres Plc EGM	Appoint Robert Ware as a director	51.04
British Sky Broadcasting Group Plc AGM	Authorise Rule 9 waiver	45.80
Freeport Plc AGM	Authority to allot shares	32.48
Templeton Emerging Markets I.T. Plc AGM	Elect Charles B Johnson	32.34
Templeton Emerging Markets I.T. Plc AGM	Issue shares for cash	29.78
Templeton Emerging Markets I.T. Plc AGM	Elect Sir Ronald Hampel	28.44
Murray Income Trust Plc AGM	Sell treasury shares at a discount	23.85
Regent Inns Plc AGM	Re-elect Alan Jackson	23.03
Filtronic Plc AGM	Approve Remuneration Committee report & receive the auditor's report	21.63

Although the Fund opposed most of the resolutions referred to above it will vote for a resolution if it believes the company has followed best practice, despite significant opposition sometimes from other shareholders.

Background details on some of these resolutions where opposition was significant are as follows:

VOTING REVIEW

Wyevale Garden Centres Plc (EGM)

Wyevale's largest shareholder, Laxey Partners Limited, who believe the company is underperforming have continued to challenge David Williams's position as chairman. Laxey contributed a substantial part of the 39% opposition vote to his re-election at the AGM earlier this year. Laxey called an EGM in September at which they proposed removing both Mr Williams and two other non-executive directors and appointing Laxey's CEO, Mr Ware, as a director. The Fund was unconvinced by Laxey's case for supporting its proposals and consequently opposed all four resolutions. Laxey has called a further EGM for December with a similar agenda, which the Fund will again oppose. In spite of this, Mr Williams has indicated that he will step down at the end of the meeting regardless of the outcome of the shareholder vote.

British Sky Broadcasting (AGM)

The company sought shareholder approval for a resolution seeking authority for Rule 9 of the City Code to be waived, thereby removing the requirement for shareowners of 30% or more to make a bid for the remaining share capital with each 1% increase. The proposal met with over 45% opposition. The waiver was in relation to Newscorp's 37.19% holding being increased if the share repurchase authority sought under a further proposal was approved. Rupert Murdoch's role as both chairman of BskyB and CEO of Newscorp presents governance issues associated with an increased shareholding. The Fund took the view that in line with the binding voting agreement entered into between the various units, under which News UK Nominees Limited agreed to limit the exercise of its voting rights to its current shareholding of 37.19, the increased level of ownership would not pose a risk to shareholders in terms of increased voting rights. On this basis, the Fund was able to vote in favour of the proposal.

Freeport Plc (AGM)

The Fund supported the company's resolution seeking authority to issue shares as there were no obvious governance issues. There was a significant vote against the resolution of over 32% which is likely to be at least in part a consequence of opposition from Laxey Partners Ltd who have raised concerns about the company's performance.

Templeton Emerging Markets Plc (AGM)

The company sought approval for the re-appointment of Mr Johnson as a non-executive director. Opposition to the proposal resulted from concerns that Mr Johnson's role as an employee of the managers of the trust created a possible conflict of interest between representing the shareholders and the managers. The Fund's template allows support of such resolutions where there are already a sufficient number of independent directors to safeguard shareholders interests. A further resolution requested shareholder support for the re-election of Sir Hampel. He was considered independent and the proposal was approved. A special resolution for the authority to issue shares dis-applying pre-emption rights was supported as it was within limits set by the Fund's template. The level of opposition to this resolution would have been sufficient to block the authority, however, the company has not as yet declared if the proposal was carried.

Murray Income Trust Plc (AGM)

A resolution sought authority to sell ordinary shares held in treasury, of up to 10 per cent of total issued share capital, at a discount. The Fund does not agree with the principle of dilution and this is expressed in its voting guidelines and an opposition vote was lodged. The Fund contributed to a significant oppose vote, however, the resolution was passed by a margin of only 1.15%. A further resolution sought a similar authority with the disapplication of pre-emption rights up to a level representing 10% of the issued share capital. The Fund opposed the resolution on the grounds of dilution and, in addition, the level sought was twice the standard limit for such authority.

Regent Inns Plc (AGM)

A resolution asked shareholders to re-elect Mr Jackson as a non-executive director. The Fund did not consider Mr Jackson independent as he shares a membership of the board of The Restaurant Group with Bob Ivell, the Chairman and CEO of Regent Inns. Mr Jackson is executive chairman of The Restaurant Group, where Mr Ivell is a non-executive director. The nature of this relationship, where each is a non-executive on a board headed by the other as an executive, leads to a conclusion based on objective considerations that Mr Jackson is connected to the executives on the board. In addition, there was insufficient independent representation on the board. The Fund opposed the re-election of Mr Jackson together with 23% of votes cast.

Filtronic Plc (AGM)

The company sought shareholder approval for the remuneration report. There was limited disclosure of the pay policy and the option scheme targets were considered poor. No grants have been made in the past four years, but the scheme uses a single performance measure and does not incorporate dilution limits. In addition the company will pay two guaranteed bonuses. The Fund rejected the proposal together with 23% of all votes cast. This represented the highest opposition vote for this type of resolution this quarter.

OVERSEAS ISSUES

Autodesk Inc (US)

The company's proposal seeking approval to amend the Director's ESOS (Executive Share Option Scheme) at an EGM produced the highest oppose vote for any one proposal this quarter (22.04%). The scheme was not passed by shareholders at the AGM earlier this year and despite some changes relating to a reduction in the potentially dilutive impact there were still some material concerns. It was considered that the absence of specified performance targets for equity grants under the scheme meant that restricted shares would be a more appropriate form of award which would be less dilutive and would vest after a specified time has elapsed. The proposed amendments also did not deal with the level of discretion the compensation committee has over the conditions and level of awards. The Fund opposed the resolution.

Fedex Corporation (US)

Two shareholder resolutions regarding voting methods at the company received the highest levels of support this quarter. The first, to remove supermajority voting from the remaining issues to which it applies, met with support from 64.8% of the votes cast. The company has stated that the proposal was “approved by shareholders” however given the non-binding nature of shareholder proposals in the US it is not clear if it has been adopted. A second proposal sought to remove the plurality voting system with a system of re-election of directors based on receiving the highest number of votes. The Fund voted in favour of both resolutions, agreeing with PIRC that they serve to remove the constraints on democracy commonly affecting shareholders in the US.

This information is provided by PIRC in accordance with the Fund’s voting template.